



# भारत का राजपत्र The Gazette of India

असाधारण  
EXTRAORDINARY

भाग II—खण्ड 2  
PART II—Section 2

प्राधिकार से प्रकाशित  
PUBLISHED BY AUTHORITY

सं. 21] नई दिल्ली, बुधवार, मई 10, 1989/वैशाख 20, 1911  
No. 21] NEW DELHI, WEDNESDAY, MAY 10, 1989/VAISAKHA 20, 1911

इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन  
के रूप में रखा जा सके।

Separate paging is given to this Part in order that it may be filed  
as a separate compilation.

## LOK SABHA

The following Bills were introduced in Lok Sabha on the 10th May, 1989:—

— BILL NO. 47 OF 1989

*A Bill to establish the Small Industries Development Bank of India as the principal financial institution for the promotion, financing and development of industry in the small-scale sector and to co-ordinate the functions of the institutions engaged in the promotion, financing or developing industry in the small-scale sector and for matters connected therewith or incidental thereto.*

BE it enacted by Parliament in the Fortieth Year of the Republic of India as follows:—

### CHAPTER I

#### PRELIMINARY

1. (1) This Act may be called the Small Industries Development Bank of India Act, 1989.

(2) It extends to the whole of India.

(3) It shall come into force on such date as the Central Government may, by notification, appoint and different dates may be appointed for different provisions of this Act.

2. In this Act, unless the context otherwise requires,—

(a) "Board" means the Board of Directors of the Small Industries Development Bank of India referred to in section 5;

Short  
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Defini-  
tions.

(b) "Chairman" means the Chairman referred to in clause (a) of sub-section (1) of sections 6;

(c) "Court" means the High Court within the local limits of whose jurisdiction—

(i) the defendant or respondent or, where there is more than one defendant or respondent, any one of them—

(1) has his registered office, or

(2) carries on the whole or part of his business,

at the time of commencement of any legal proceedings against him under this Act, or

(ii) the cause of action for such legal proceedings, wholly or in part, arises;

(d) "Development Bank" means the Industrial Development Bank of India established under section 3 of the Industrial Development Bank of India Act, 1964;

18 of 1964.

(e) "Director" means a Director nominated under sub-section (1) of section 6 and includes the Managing Director;

(f) "export" means export from India of products or services of any industrial concern in small-scale sector;

(g) "import" means import into India of services or goods including all materials, commodities and articles in a solid, liquid or gaseous state and all forms of energy for the use of any industrial concern in the small-scale sector;

(h) "Industrial concern in the small-scale sector" means an industrial concern as defined in clause (c) of section 2 of the Industrial Development Bank of India Act, 1964, and which is regarded as a small-scale undertaking under section 11B of the Industries (Development and Regulation) Act, 1951;

18 of 1964.

65 of 1951.

(i) "Managing Director" means the Managing Director appointed under sub-section (1) of section 7;

(j) "National Small Industries Corporation" means the National Small Industries Corporation Limited registered under the Companies Act, 1956;

1 of 1956.

(k) "notification" means a notification published in the Official Gazette;

(l) "prescribed" means prescribed by regulations made under this Act;

(m) "Small Industries Bank" means the Small Industries Development Bank of India established under sub-section (1) of section 3;

(n) "State Small Industries Corporation" means a State Corporation, registered under the Companies Act, 1956, for small industries in a State;

1 of 1956.

63 of 1951.

(o) "State Financial Corporation" means a financial corporation established under section 3 or section 3A or an institution notified under section 46 of the State Financial Corporations Act, 1951;

1 of 1956.

(p) "State Industrial Development Corporation" means a State Corporation registered under the Companies Act, 1956, for the development of industries in a State;

18 of 1964.

(q) words and expressions used herein and not defined but defined in the Industrial Development Bank of India Act, 1964, shall have the meanings respectively assigned to them in that Act.

## CHAPTER II

### ESTABLISHMENT OF THE SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA AND CAPITAL THEREOF

3. (1) With effect from such date as the Central Government may, by notification, appoint, there shall be established, for the purposes of this Act, a corporation to be known as the Small Industries Development Bank of India.

Estab-  
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and in-  
corpora-  
tion of  
Small In-  
dustries  
Develop-  
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Bank of  
India.

(2) The Small Industries Bank shall be a body corporate with the name aforesaid having perpetual succession and a common seal with power, subject to the provisions of this Act, to acquire, hold and dispose of property and to contract, and may, by that name, sue or be sued.

(3) The head office of the Small Industries Bank shall be at Lucknow or at such other place as the Central Government may, by notification, specify.

(4) The Small Industries Bank shall establish offices, branches or agencies at any place in or outside India.

4. (1) The authorised capital of the Small Industries Bank shall be two hundred and fifty crores of rupees:

Autho-  
rised  
capital.

Provided that the Development Bank may increase the said capital up to one thousand crores of rupees.

(2) The issued capital of the Small Industries Bank shall be wholly subscribed by the Development Bank.

## CHAPTER III

### MANAGEMENT OF THE SMALL INDUSTRIES BANK

5. (1) The general superintendence, direction and management of the affairs and business of the Small Industries Bank shall vest in a Board of Directors, which may exercise all powers and do all acts and things which may be exercised or done by the Small Industries Bank.

Manage-  
ment.

(2) In the discharge of its functions under this Act, the Small Industries Bank shall be guided by such directions in matters of policy involving public interest as the Central Government, in consultation with the Development Bank, or the Development Bank, may give in writing.

(3) Save as otherwise provided in regulations made under this Act, the Chairman shall also have powers of general superintendence and

direction of the affairs and business of the Small Industries Bank and may also exercise all powers and do all acts and things which may be exercised or done by that Bank.

(4) Subject to the provisions of this Act, the Board in discharging its functions shall act on business principles with due regard to public interest.

Constitution of Board.

6. (1) The Board shall consist of the following namely:—

(a) the Chairman of the Development Bank, if he is a whole-time Chairman, and if he is not a whole-time Chairman, the Managing Director of that Bank, shall be the *ex officio* Chairman of the Small Industries Bank;

(b) two Directors to be nominated by the Central Government from amongst its officials;

(c) one Director to be nominated by the Reserve Bank from amongst its officials of, or above, the rank of the Executive Director;

(d) ten Directors to be nominated by the Development Bank, of whom—

(i) one shall be from amongst its officials;

(ii) one representing the National Bank for Agriculture and Rural Development established under section 3 of the National Bank for Agriculture and Rural Development Act, 1981;

61 of 1981

(iii) one representing the Khadi and Village Industries Commission established under section 4 of the Khadi and Village Industries Commission Act, 1956;

61 of 1956.

(iv) seven from amongst the experts in industry in small-scale sector or cooperative sector, or persons having such special knowledge or professional experience as the Development Bank may consider desirable or useful to the Small Industries Bank, or persons representing scheduled banks, State Financial Corporations, State Small Industries Corporations or the National Small Industries Corporation;

(e) the Managing Director, *ex officio* Director.

(2) Every Director referred to in clause (b), clause (c) or sub-clause (i) of clause (d) shall hold office during the pleasure of the authority nominating him.

(3) Every Director, other than those referred to in sub-section (2), shall hold office for such term not exceeding three years as the Development Bank may specify in this behalf and shall be eligible for reappointment:

Provided that no such Director shall hold office continuously for a period exceeding six years.

(4) The Directors shall be paid such fees and allowances as may be prescribed for attending the meetings of the Board or any of its committees and for attending to any other work of the Small Industries Bank.

7. (1) The Development Bank shall appoint a Managing Director of the Small Industries Bank who shall be the whole-time chief executive of that Bank.

Managing  
Director.

(2) Subject to the provisions of section 5 and, save as otherwise provided in regulations made under this Act, the power of general superintendence, directions and management of the affairs and business of the Small Industries Bank shall vest in the Managing Director who shall also exercise such powers and perform such duties as may be delegated to him by the Board or the Chairman.

(3) The Managing Director shall, in exercise of his powers and performance of his duties under this Act, follow such directions as the Board or the Chairman may give.

(4) The salary, allowances and other conditions of service of the Managing Director shall be such as may be determined by the Development Bank.

(5) The Managing Director shall hold office for such term not exceeding five years as the Development Bank may specify in this behalf and shall be eligible for reappointment.

(6) The Development Bank may remove the Managing Director at any time after giving him a reasonable opportunity of showing cause against the proposed removal.

(7) Notwithstanding anything contained in sub-sections (5) and (6), the Development Bank shall have the right to terminate the term of office of the Managing Director at any time by giving him notice, in writing, of not less than three months or three months' salary and allowances in lieu thereof, and the Managing Director shall also have the right to relinquish his office at any time by giving to the Development Bank notice in writing, of not less than three months.

8. No person shall be a Director if he—

Disquali-  
fications.

(a) is, or becomes, of unsound mind or is so declared by a competent court; or

(b) is, or has been, convicted of any offence which, in the opinion of the Development Bank, involves moral turpitude; or

(c) is, or at any time has been, adjudicated as insolvent or has suspended payment of his debts or has compounded with his creditors.

9. (1) If a Director—

Vacation  
and re-  
signation  
of office  
by  
Directors.

(a) becomes subject to any of the disqualifications mentioned in section 8, or

(b) is absent without leave of the Board for three or more consecutive meetings thereof,

his seat shall thereupon become vacant,

(2) Any Director may resign his office by giving notice thereof in writing to the authority that nominated him and on his resignation being accepted by such authority or if his resignation is not sooner accepted, on the expiry of three months from the receipt thereof by such nominating authority, he shall be deemed to have vacated his office.

Casual  
vacancies  
in office  
of  
Managing  
Director.

10. If the Managing Director is, by infirmity, or otherwise rendered incapable of carrying out his duties or his absence on leave or otherwise in circumstances not involving the vacation of his office, the Development Bank may appoint another person to act in his place during his absence.

Meetings  
of the  
Board.

11. (1) The Board shall meet at such times and places and shall observe such rules of procedure in regard to the transaction of business at its meetings as may be prescribed.

(2) The Chairman or, if for any reason he is unable to attend a meeting of the Board, any Director nominated by the Chairman in this behalf and in the absence of such nomination, any other Director, elected by the Directors present from amongst themselves at the meeting, shall preside at the meeting.

(3) All questions which come up before any meeting of the Board shall be decided by a majority of votes of the Directors present and voting, and in the event of an equality of votes, the Chairman, or in his absence, the person presiding, shall have a second or casting vote.

Com-  
mittees.

12. (1) The Board may constitute such committees whether consisting wholly of Directors or wholly of other persons or partly of Directors and partly of other persons for such purposes as it may think fit.

(2) The members of a committee shall be paid such fees and allowances as may be determined by the Board for attending the meetings of any committee constituted under sub-section (1) and for attending to any other work of the Small Industries Bank.

#### CHAPTER IV

##### BUSINESS OF THE SMALL INDUSTRIES BANK

Busi-  
ness of  
Small  
Indus-  
tries  
Bank.

13. (1) The Small Industries Bank shall function as the principal financial institution for the promotion, financing and development of industrial concerns in the small-scale sector and shall also coordinate the functions of institutions engaged in promoting, financing and developing the industrial concerns in the small-scale sector and may carry on and transact any of the following business, namely:—

(i) granting loans and advances to any State Financial Corporation, State Industrial Development Corporation, State Small Industries Corporation, scheduled bank, State Cooperative Bank or such other financial institutions, as the Central Government may, on the recommendation of the Development Bank, specify, by way of refinance on such terms and conditions as it may deem fit to impose, of any loans or advances granted to industrial concerns in the small-scale sector by such corporation, bank or institution, which are repayable within a period not exceeding twenty-five years;

(ii) accepting, discounting or rediscounting bills of exchange and promissory notes made, drawn, accepted or endorsed by industrial concerns in the small-scale sector or by any person selling products manufactured by an industrial concern in the small-scale sector;

(iii) subscribing to, or purchasing stocks, shares, bonds or debentures of, any State Financial Corporation, State Industrial Development Corporation, State Small Industries Corporation, National Small Industries Corporation or such other financial institutions, as the Central Government may, on the recommendation of the Development Bank, specify;

(iv) granting lines of credit or loans and advances to any State Financial Corporation, State Industrial Development Corporation, State Small Industries Corporation, National Small Industries Corporation or such other financial institutions as the Central Government may, on the recommendation of the Development Bank, specify;

(v) granting loans and advances to any industrial concern in the small-scale sector or subscribing to, or purchasing, or underwriting the issue of stocks, shares, bonds or debentures of, any such concern:

Provided that nothing contained in this clause shall be deemed to preclude the Small Industries Bank from granting loans or advances to, or subscribing to the debentures of, an industrial concern in the small-scale sector, the amounts outstanding thereon may be convertible at the option of the Small Industries Bank into stocks or shares of that concern within the period the loan, advance or debenture is repayable.

*Explanation.*—In this clause, the expression “the amounts outstanding thereon” used in relation to any loan or advance, shall mean the principal, interest and other charges payable on such loan or advance as at the time when the amounts are sought to be converted into stocks or shares;

(vi) granting loans and advances—

(a) to any person exporting; or

(b) to any person outside India, in connection with the export; or

(c) for the execution of turn-key projects outside India by any industrial concern in the small-scale sector;

(vii) granting loans and advances to a scheduled bank or any other bank or such financial institutions as the Central Government may, on the recommendation of the Development Bank, specify, by way of refinance of loans and advances granted by it for purposes of export;

(viii) accepting, collecting, discounting, rediscounting, purchasing, selling or negotiating in or outside India, bills of exchange or promissory notes arising out of transactions, relating to export or import and granting of loans and advances in or outside India against such bills or promissory notes;

(ix) granting, opening, issuing, confirming or endorsing letters of credit and negotiating or collecting bills or other documents drawn thereunder;

(x) granting lines of credit to the Government of any foreign State or any financial institution or person outside India for the purpose of export or import;

(xi) financing export from or import into India of machinery, equipment or other assets including vehicles, ships and aircrafts on lease, sub-lease or hire purchase basis by or for any industrial concern in small-scale sector;

(xii) buying or selling of, or entering into such other dealings in, foreign exchange, as may be necessary for the discharge of the functions of the Small Industries Bank;

(xiii) opening of any account in any bank in or outside India or making of any agency arrangements with, or acting as an agent or correspondent of, any bank or other institution in or outside India;

(xiv) transferring for consideration any instrument relating to loans and advances granted by it to any industrial concern in the small-scale sector;

(xv) granting loans and advances to any person for purposes of investment in any industrial concern in the small-scale sector;

(xvi) guaranteeing loans raised from, or credit arrangements made with, any bank, financial institution or other lending agency in any country outside India in foreign currency, with the approval of the Central Government, by industrial concern in the small-scale sector;

(xvii) guaranteeing deferred payments due from any industrial concern in the small-scale sector;

(xviii) guaranteeing—

(a) loans raised by industrial concerns in the small-scale sector which are floated in the public market, or

(b) loans raised by any industrial concern in the small-scale sector from any scheduled bank or State Co-operative Bank or State Financial Corporation or State Industrial Corporation or such other financial institutions as the Central Government may, on the recommendation of the Development Bank, specify.

(xix) guaranteeing the obligations of any scheduled bank or State Co-operative Bank or State Financial Corporation or State Industrial Development Corporation or State Small Industries Corporation or such other financial institutions as the Central Government may, on the recommendation of the Development Bank, specify, arising out of, or in connection with, underwriting the issue of stocks, shares, bonds or debentures of any industrial concern in the small-scale sector;



(xx) providing factoring services to any industrial concern in the small-scale sector;

(xxi) providing technical and financial consultancy, merchant banking and extension services;

(xxii) undertaking activities for promotion of industry in the small-scale sector including entrepreneurial development programmes, raw material purchase, marketing support and promotion of, or financial support to, agencies engaged in such activities;

(xxiii) acquiring, with the approval of the Central Government on the recommendation of the Development Bank, the undertaking including the business, assets and liabilities of any institution the principal object of which is the promotion or development of industry in the small-scale sector in India, or the grant of financial assistance for such promotion or development;

(xxiv) leasing, sub-leasing or giving on hire or hire-purchase any movable or immovable assets to any industrial concern in the small-scale sector;

(xxv) undertaking research and surveys for evaluating or dealing with marketing or investments and undertaking and carrying on techno-economic studies in connection with the development of industry in the small-scale sector;

(xxvi) providing technical, legal, marketing and administrative assistance to any industrial concern in the small-scale sector or any person for promotion, management or expansion of any industrial concern in the small-scale sector;

(xxvii) planning, promoting, and developing industries in the small-scale sector;

(xxviii) promoting, forming or conducting or associating in the promotion, formation or conduct of companies, subsidiaries, societies, trusts or such other association of persons as it may deem fit;

(xxix) acting as agent of—

(a) the Central Government or of the Reserve Bank or of the Development Bank, or

(b) such other Government or person as the Development Bank may authorise;

(xxx) doing any other kind of business which the Central Government may, on the recommendation of the Development Bank, authorise;

(xxxi) generally doing such other acts and things as may be incidental to, or consequential upon, the exercise of its powers or the discharge of its duties under this Act or any other law for the time being in force including sale or transfer of any of its assets.

(2) The Small Industries Bank may receive in consideration of any of the services mentioned in sub-section (1) such commission brokerage, interest, remuneration or fees as may be agreed upon.

(3) The Small Industries Bank shall not grant any loan or advance or other financial accommodation on the security of its own bonds or debentures.

Loans by  
Central  
Govern-  
ment.

**14. The Central Government may, after due appropriation made by Parliament by law in this behalf, advance to the Small Industries Bank—**

(a) an interest free loan of such amount and repayable in such instalments and in such other manner as may be determined by the Central Government; and

(b) such further sums of money by way of loan on such terms and conditions as may be agreed upon;

**Provided that the Central Government may, on a request being made to it by the Small Industries Bank, increase the number of instalments or alter the amount of any instalment or vary the date on which any instalment is payable under clause (a).**

Borrow-  
ings and  
accept-  
ance of  
deposits  
by the  
Small  
Industries  
Bank.

**15. (1) The Small Industries Bank may, for the purpose of carrying out its functions under this Act.—**

(a) issue and sell bonds and debentures with or without the guarantee of the Central Government;

(b) borrow money from the Reserve Bank—

(i) repayable on demand or on the expiry of the fixed periods not exceeding ninety days from the date on which the money is so borrowed against the security of stocks, funds and securities (other than immovable property) in which a trustee is authorised to invest trust money by any law for the time being in force in India;

(ii) against bills of exchange or promissory notes arising out of *bona fide* commercial or trade transactions, bearing two or more good signatures and maturing within five years from the date of the borrowing;

(iii) out of the National Industrial Credit (Long Term Operations) Fund established under section 46C of the Reserve Bank of India Act, 1934, for any of the purposes specified in that section;

2 of 1934.

(c) borrow money from the Development Bank or such other authority, organisation or institution as may be generally or specially approved by the Development Bank;

(d) accept deposits repayable after the expiry of such period and on such terms as may be generally or specially approve by the Development Bank.

(2) The Central Government may, on a request being made to it by the Small Industries Bank, guarantee the bonds and debentures issued by that Bank as to the repayment of principal and the payment of interest at such rate as may be fixed by that Government.

Invest-  
ment.

**16. The Small Industries Bank may invest its funds in the securities of the Central Government or of any State Government or in deposits with any scheduled bank.**

17. The rights and interests of the Small Industries Bank (including any other rights incidental thereto) in relation to any loan or advance granted, or any amount recoverable, by it may be transferred by the Small Industries Bank, either in whole or in part, by the execution or issue of any instrument or by the transfer of any instrument by endorsement, or in any other manner in which the rights and interests in relation to such loan or advance may be lawfully transferred, and the Small Industries Bank may, notwithstanding such transfer, act as the trustee for the transferee.

Power to transfer rights.

1 of 1956.

18. The Small Industries Bank shall have the right to acquire, by transfer or assignment, the rights and interests of any public financial institution as defined in section 4A of the Companies Act, 1956 (including any other rights incidental thereto) in relation to any loan or advance granted, or any amount recoverable by such institution, either in whole or in part, by the execution or issue of any instrument or by the transfer of any instrument or in any other manner.

Power to acquire rights.

46 of 1973.

19. (1) Notwithstanding anything contained in the Foreign Exchange Regulation Act, 1973, or in any other enactment for the time being in force relating to foreign exchange, the Small Industries Bank may, for the purposes of granting loans and advances under this Act, borrow, with the previous consent of the Central Government and the Development Bank, foreign currency from any bank or financial institution in any foreign country or otherwise.

Loans in foreign currency.

(2) The Central Government may, where necessary, guarantee any loan taken by the Small Industries Bank under sub-section (1) or any part thereof as to the repayment of principal and the payment of interest and other incidental charges.

(3) All loans and advances granted by the Small Industries Bank out of foreign currency borrowed under sub-section (1) shall be expressed in terms of foreign currency as equivalent of Indian currency calculated in accordance with the rate of exchange prevailing at the time of grant thereof, and the amount due thereunder shall be repayable in equivalent Indian currency, calculated in accordance with the rate of exchange prevailing at the time of repayment of such loan or advance.

(4) Unless otherwise provided by the Central Government, any loss or profit in connection with any borrowing of foreign currency under sub-section (1) for the purpose of granting loans and advances under this Act, or with its repayment to the concerned foreign lending agency, on account of any fluctuations in the exchange accruing—

(a) during the period within which the loan or advance is repayable by the industrial concern in the small-scale sector or the period of actual repayment thereof by the concern, whichever is longer, shall be reimbursed by, or paid to, as the case may be, the recipient of such loans and advances;

(b) after the expiry of the period specified in clause (a),—

(i) shall be borne by the Small Industries Bank in respect of normal market fluctuations in the rate of foreign exchange;

(ii) shall be reimbursed by, or paid to, as the case may be, the Central Government in respect of fluctuations other than the normal market fluctuations in foreign exchange.

*Explanation.*—If any question arises as to whether any fluctuation as aforesaid is a normal market fluctuation or not, the same shall be decided by the Central Government whose decision thereon shall be final.

Grants, donations, etc., to the Small Industries Bank.

20. The Small Industries Bank may receive gifts, grants, donations, benefactions or other monies from Government or any other source.

## CHAPTER V

### SMALL INDUSTRIES DEVELOPMENT ASSISTANCE FUND

Small Industries Development Assistance Fund.

21. (1) With effect from such date as the Central Government may, by notification, appoint, the Small Industries Bank shall establish and maintain, a special fund to be called the Small Industries Development Assistance Fund.

(2) The Small Industries Bank may, at any time, establish any fund as part of the Small Industries Development Assistance Fund for such purpose or purposes as may be approved by the Central Government on the recommendation of the Development Bank, or establish any other fund as may be required by or under any law for the time being in force.

Credits to Small Industries Development Assistance Fund.

22. To the Small Industries Development Assistance Fund shall be credited—

(a) all amounts received for the purpose of that Fund by way of loans, gifts, grants, donations, benefactions or otherwise from Government or any other source;

(b) repayments or recoveries in respect of loans, advances or other facilities granted from the Fund;

(c) income or profits from investments made from the Fund; and

(d) income accruing or arising to the Fund, by way of interest or otherwise, on account of the application of the Fund in accordance with the provisions of section 23.

Utilisation of Small Industries Development Assistance Fund. Debits to Small Industries Development Assistance Fund.

23. The Small Industries Bank may disburse or spend from the Small Industries Development Assistance Fund, any amount for such purposes as the Central Government may, on the recommendation of the Development Bank, specify.

24. (1) To the Small Industries Development Assistance Fund shall be debited—

(a) such amounts as may from time to time be disbursed or spent under section 23;

(b) such amounts as may be required for discharging the liabilities in respect of loans received for the purpose of that Fund;

(c) any loss arising on account of investment made out of that Fund; and

(d) such expenditure arising out of, or in connection with, the administration and application of that Fund as may be determined by the Board.

(2) No amount shall be debited to the Small Industries Development Assistance Fund except as provided for in sub-section (1).

25. (1) The balance-sheet and accounts of Small Industries Development Assistance Fund shall be prepared in such form and manner as may be prescribed.

Accounts and audit of Small Industries Development Assistance Fund.

(2) The Board shall cause the books and accounts of the Small Industries Development Assistance Fund to be closed and balanced as on the 31st day of March, each year or such other date as the Development Bank may specify.

(3) The Small Industries Development Assistance Fund shall be audited by one or more auditors appointed by the Development Bank under section 30 who shall make a separate report thereon.

(4) The provisions of sub-sections (2), (3) and (4) of section 30 shall, so far as may be, apply in relation to the audit of the Small Industries Development Assistance Fund.

(5) The Small Industries Bank shall furnish to the Central Government and the Development Bank within four months from the date on which the accounts of the Small Industries Development Assistance Fund are closed and balanced, a copy of balance-sheet and accounts together with a copy of its auditors' report and a report on the operation of that Fund during the relevant year and the Central Government shall, as soon as may be after they are received by it, cause the same to be laid before each House of Parliament.

26. The Small Industries Development Assistance Fund shall not be closed or wound up save by order of the Central Government and in such manner as that Government may, on the recommendation of the Development Bank, direct.

Liquidation of Small Industries Development Assistance Fund.

## CHAPTER VI

### SMALL INDUSTRIES GENERAL FUND, ACCOUNTS AND AUDIT

27. All receipts of the Small Industries Bank other than those which are to be credited to the Small Industries Development Assistance Fund under this Act shall be credited to a fund to be called the Small Industries General Fund and all payments by the Small Industries Bank other than those which are to be debited to the Small Industries Development Assistance Fund, shall be made out of the Small Industries General Fund.

Small Industries General Fund.

28. (1) The balance-sheet and accounts of the Small Industries Bank shall be prepared in such form and manner as may be prescribed.

Preparation of accounts and balance-sheet.

(2) The Board shall cause the books and accounts of the Small Industries Bank to be closed and balanced as on the 31st day of March each year or such other date, as the Development Bank may specify.

Disposal  
of profits  
accruing to  
Small  
Industries  
General  
Fund.

29. (1) The Small Industries Bank may establish a reserve fund to which may be transferred such sums as that Bank may deem fit out of the annual profits accruing to the Small Industries General Fund.

(2) After making provision for bad and doubtful debts, depreciation of assets and for all other matters for which provision is necessary or expedient or which is usually provided for by bankers and for the reserve fund referred to in sub-section (1), the Small Industrial Bank shall transfer the balance of the net profits to the Development Bank.

Audit.

30. (1) The accounts of the Small Industries Bank shall be audited by auditors duly qualified to act as auditors under sub-section (1) of section 226 of the Companies Act, 1956 who shall be appointed by the Development Bank for such term and on such remuneration as the Development Bank may fix.

1 of 1956.

(2) The auditors shall be supplied with a copy of the annual balance-sheet of the Small Industries Bank and it shall be their duty to examine it together with the accounts and vouchers relating thereto and they shall have a list delivered to them of all books kept by the Small Industries Bank and shall at all reasonable times have access to the books, accounts, vouchers and other documents of the Small Industries Bank.

(3) The auditors may, in relation to such accounts, examine any Director or any officer or other employee of the Small Industries Bank and shall be entitled to require from the Board or officers or other employees of the Small Industries Bank such information and explanation as they may think necessary for the performance of their duties.

(4) The auditors shall make a report to the Small Industries Bank upon the annual balance-sheet and accounts examined by them and in every such report they shall state whether in their opinion the balance-sheet is a full and fair balance-sheet containing all necessary particulars and properly drawn up so as to exhibit a true and fair view of the state of affairs of the Small Industries Bank and in case they had called for any explanation or information from the Board or any officer or other employee of the Small Industries Bank whether it has been given and whether it is satisfactory.

(5) The Small Industries Bank shall furnish to the Central Government and the Development Bank within four months from the date on which its accounts are closed and balanced, a copy of its balance-sheet and accounts together with a copy of the auditors' report and a report of the working of the Small Industries Bank during the relevant year, and the Central Government shall, as soon as may be after they are received by it, cause the same to be laid before each House of Parliament.

Saving.

31. Save as otherwise provided in sub-section (4) of section 25, nothing contained in this Chapter shall apply to the Small Industries Development Assistance Fund,

## CHAPTER VII

## TRANSFER OF PART OF BUSINESS OF DEVELOPMENT BANK

32. (1) On such date as the Central Government may, by notification, appoint, the business, assets and liabilities, rights, interests, privileges and obligations of the Development Bank relating to the Small Industries Development Fund and the National Equity Fund (hereinafter in this section referred to as Funds) shall stand transferred to, and vest in, the Small Industries Bank.

Transfer  
of part of  
business  
of Deve-  
lopment  
Bank.

*Explanation.*—"Small Industries Development Fund" and "National Equity Fund" mean the Small Industries Development Fund and National Equity Fund referred to as such in the books and accounts of the Development Bank on the day immediately preceding the date appointed in this sub-section.

(2) For the transfer to, and vesting in, the Small Industries Bank under sub-section (1) of the Funds, that Bank shall pay to the Development Bank such amount and on such terms and conditions as the Development Bank may determine.

(3) All contracts, deeds, bonds, agreements, powers of attorney, grants of legal representation and other instruments of whatever nature which relate to the Funds and which are subsisting or having effect immediately before the date referred to in sub-section (1) and to which the Development Bank is a party or which are in favour of the Development Bank shall,—

(a) if they relate exclusively to the Funds, be of full force and effect against or in favour of the Small Industries Bank and may be enforced and acted upon as fully and effectively as if, instead of the Development Bank, the Small Industries Bank had been a party thereto or as if they had been issued in favour of the Small Industries Bank; and

(b) if they relate not only to the Funds but also to any of the other business or functions of the Development Bank, be of full force and effect against or in favour of both the Development Bank and the Small Industries Bank and may be enforced or acted upon as fully and effectively as if, in addition to the Development Bank, the Small Industries Bank had also been a party thereto or as if they had been issued in favour of the Development Bank and also the Small Industries Bank.

(4) If, on the date referred to in sub-section (1), any suit, appeal or other legal proceeding of whatever nature relating to the Funds is pending, the same shall not abate, be discontinued or be in any way prejudicially affected by reason of the transfer to the Small Industries Bank of the business of the Development Bank or of anything contained in this Act, but the suit, appeal or other proceeding may,—

(a) where it relates exclusively to the Funds, be continued, prosecuted and enforced by or against the Small Industries Bank; and

(b) where it relates not only to the Funds but also to any of the other business or functions of the Development Bank, be continued, prosecuted and enforced by or against the Development Bank and the Small Industries Bank or, if the Central Government by order in writing so directs, by or against such one of them, as may be specified in such order.

(5) If any question arises as to whether any contract, deed, bond, agreement, power of attorney, grant of legal representation or other instrument referred to in sub-section (3) or any suit, appeal or other legal proceeding referred to in sub-section (4) relates or relate exclusively to the Funds it shall be referred to the Development Bank for decision and the decision of the Development Bank thereon shall be final.

(6) The provisions of this section shall have effect notwithstanding anything contained in the Industrial Development Bank of India Act, 1964, or any other law or any instrument having force by virtue of the said Act or other law.

18 of 1964.

## CHAPTER VIII

### MISCELLANEOUS

Staff of  
Small  
Industries  
Bank.

33. (1) The Small Industries Bank may appoint such number of officers and other employees as it considers necessary or desirable for the efficient performance of its functions and determine the terms and conditions of their appointment and service.

(2) At any time before the expiry of six months from the appointed day, the Development Bank may, in public interest, transfer to the Small Industries Bank such members of its staff whom the Development Bank considers as relevant to, or suitable for, the functions of the Small Industries Bank, as on deputation with the Small Industries Bank, but such members shall hold office by the same tenure and upon the same terms and conditions of service as respects remuneration, leave, provident fund, retirement or other terminal benefits as they would have held such office if the Small Industries Bank had not been established and shall continue to do so until the Development Bank either on its own motion or at the request of the Small Industries Bank recalls such member of staff to its service.

Provided that every member of the staff so transferred may elect to go back to the Development Bank by exercising an option in writing to that effect before the expiry of a period of nine months from the appointed day and on the exercise of such option, the Development Bank shall, before the expiration of a period of eighteen months, from the appointed day, take back such member of the staff and he shall be deemed to have been on deputation to the Small Industries Bank during the period he was a member of the staff of the Small Industries Bank.

(3) Notwithstanding anything contained in the Industrial Disputes Act, 1947 or in any other law for the time being in force, the absorption of any member of the staff by the Small Industries Bank in its regular service under this section shall not entitle such employee to any com-

14 of 1947.



pensation under that Act or other law and no such claim shall be entertained by any court, tribunal or other authority.

*Explanation.*—For the purposes of this section, “appointed day” means the date of establishment of the Small Industries Bank under section 3.

34. The Board may, by general or special order, delegate to any Director or committee constituted under section 12 or to any officer or other employee of the Small Industries Bank, subject to such conditions and limitations, if any, as may be specified in the order, such of its powers and duties under this Act as it may deem necessary.

Delegation of powers.

35. The Small industries Bank shall furnish from time to time to the Central Government, the Reserve Bank and the Development Bank such returns as they may require.

Returns.

36. (1) The Small Industries Bank shall not, except as otherwise required by this Act or any other law, divulge any information relating to, or to the affairs of, its constituents except in circumstances in which it is, in accordance with the law or practice and usage customary among bankers necessary or appropriate for the Small Industries Bank to divulge such information.

Obligations as to fidelity and secrecy.

(2) The Small Industries Bank may, for the purpose of the efficient discharge of the functions under this Act, collect from or furnish to the Central Government, Reserve Bank, Development Bank, State Bank, any subsidiary bank, nationalised bank or other scheduled bank, State Co-operative Bank, State Financial Corporation, State Industrial Development Corporation, State Small Industries Corporation or the National Small Industries Corporation or such other institutions as may be specified by the Development Bank, credit information or other information as it may consider useful for the purpose, in such manner and at such times, as it may think fit.

*Explanation.*—For the purpose of this sub-section, the expression “credit information” shall have the same meaning as in clause (c) of section 45A of the Reserve Bank of India Act, 1934, subject to the modification that “banking company” referred to therein shall mean a bank, corporation or other institution referred to in this sub-section.

2 of 1934.

(3) Every Director, member of a committee, auditor, officer or other employee of the Small Industries Bank or the Development Bank whose services are utilised by the Small Industries Bank under the provisions of this Act, shall, before entering upon his duties, make a declaration of fidelity and secrecy in the form set out in the First Schedule to this Act.

37. (1) No act or proceeding of the Board or of any committee of the Small Industries Bank shall be questioned on the ground merely of the existence of any vacancy in, or defect in the constitution of, the Board or the committee, as the case may be.

Defects in appointment not to invalidate acts etc.

(2) No act done by any person acting in good faith as a Director shall be deemed to be invalid merely on the ground that he was disqualified to be a Director or that there was any other defect in this appointment.

Rights of  
Small  
Industries  
Bank in  
case of  
default.

38. (1) Where any industrial concern in the small-scale sector, which is under a liability to the Small Industries Bank under an agreement, makes any default in repayment of any loan or advance or any instalment thereof or in meeting its obligations in relation to any guarantee given by the Small Industries Bank or otherwise fails to comply with the terms of its agreement. With the Small Industries Bank, the Small Industries Bank, shall have the right to take over the management, or possession, or both of such industrial concern in the small-scale sector, as well as the right to transfer by way of lease or sale and realise the property pledged, mortgaged, hypothecated or assigned to the Small Industries Bank.

(2) Any transfer of property made by the Small Industries Bank, in exercise of its powers under sub-section (1), shall vest in the transferee all rights in or to the property transferred as if the transfer had been made by the owner of the property.

(3) The Small Industries Bank shall have the same rights and powers with respect to goods manufactured or produced wholly or partly from goods forming part of the security held by it as it had with respect to the original goods

(4) Where any action has been taken against an industrial concern in the small scale sector under the provisions of sub-section (1), all costs, charges and expenses which in the opinion of the Small Industries Bank have been properly incurred by it as incidental thereto shall be recoverable from the industrial concern in the small-scale sector and the money which is received by it shall, in the absence of any contract to the contrary, be held by it in trust to be applied firstly, in payment of such costs, charges and expenses and, secondly, in discharge of the debt due to the Small Industries Bank, and the residue of the money so received shall be paid to the person entitled thereto in accordance with his rights and interests.

(5) Where the Small Industries Bank takes over the management or possession of an industrial concern in the small-scale sector under the provisions of sub-section (1), the Small Industries Bank shall be deemed to be the owner of such concern for the purposes of suits by or against the concern, and shall sue and be sued in the name of the concern.

Power  
to seek  
assist-  
ance of  
Chief  
Metro-  
politan  
Magistrate  
or District  
Magistrate.

39. (1) Where any property, effect or actionable claims are sold or leased in pursuance of any power conferred by section 38, the Small Industries Bank or any other person authorised by it may, for the purpose of taking into custody or under control any such property, effects or actionable claims, request, in writing, the chief Metropolitan Magistrate or the District Magistrate within whose jurisdiction any such property, effects, actionable claims, books of account or other documents relating thereto may be situated or found to take possession thereof, and the Chief Metropolitan Magistrate or the District Magistrate shall, on such request being made to him,—

(a) take possession of such property effects, actionable claims, or books of account or other documents relating thereto; and

(b) forward them to the Small Industries Bank or such other person, as the case may be.

(2) For the purpose of securing compliance with the provisions of sub-section (1), the Chief Metropolitan Magistrate or the District Magistrate may take or cause to be taken such steps and use, or cause to be used, such force as may, in his opinion, be necessary.

(3) No act of the Chief Metropolitan Magistrate or the District Magistrate done in pursuance of this section shall be called in question in any court or before any authority.

40. Notwithstanding anything in any agreement to the contrary, the Small Industries Bank may, by notice in writing, require any industrial concern in the small-scale sector to which it has granted any loan or advance to discharge forthwith in full its liabilities to the Small Industries Bank—

Power  
to call  
for re-  
payment  
before  
agreed  
period.

(a) if it appears to the Board that false or misleading information in any material particular was given in the application for the loan or advance; or

(b) if the industrial concern in the small-scale sector has failed to comply with the terms of its contract with the Small industries Bank in the matter of the loan or advance; or

(c) if there is a reasonable apprehension that the industrial concern in the small scale sector is unable to pay its debt or that proceedings for liquidation may be commenced in respect thereof; or

(d) if the property pledged, mortgaged, hypothecated or assigned to the Small Industries Bank as security for the loan or advance is not insured and kept insured by the industrial concern in the small-scale sector to the satisfaction of the Small Industries Bank; or depreciates in value to such an extent that, in the opinion of the Board, further security to the satisfaction of the Board should be given and such security is not given; or

(e) if, without the permission of the Board, any machinery, plant or other equipment, whether forming part of the security or otherwise, is removed from the premises of the industrial concern in the small-scale sector without being replaced; or

(f) if for any reason it is necessary to protect the interests of the Small Industries Bank.

41. (1) Where an industrial concern in the small-scale sector, in breach of any agreement makes any default in repayment of any loan or advance or any instalment thereof or in meeting its obligations in relation to any guarantee given by the Small Industries Bank or otherwise fails to comply with the terms of its agreement with that Bank, or where the Small Industries Bank requires any industrial concern in the small-scale sector to make repayment of any loan or advance under section 40 and such industrial concern fails to make such repayment, then, without prejudice to the provisions of section 38 of this Act and section 69 of the Transfer of Property Act, 1882, any officer of that Bank, generally or specially authorised by that bank in this behalf, may apply to the Court for one or more of the following reliefs, namely:—

Special  
provi-  
sions for  
enforce-  
ment of  
claims by  
Small  
Indus-  
tries  
Bank.

(a) for an order for the sale of the property assigned, charged, hypothecated, mortgaged or pledged to that Bank as security for the loan or advance; or

(c) for an *ad interim* injunction restraining the industrial concern in the small-scale sector from transferring or removing its machinery, plant or equipment from the premises of such industrial concern without the permission of the Small Industries Bank, where such transfer or removal is apprehended.

(2) An application under sub-section (1) shall state the nature and extent of the liability of the industrial concern in the small-scale sector to the Small Industries Bank, the ground on which it is made and such other particulars as may be necessary for obtaining the relief prayed for.

(3) Where the application is for the reliefs mentioned in clause (a) and clause (c) of sub-section (1), the Court shall pass an *ad interim* order attaching the security, or so much of the property of the industrial concern in the small-scale sector as would on being sold realise in its estimation an amount equivalent in value to the outstanding liability of such industrial concern to the Small Industries Bank together with costs of the proceedings taken under this section with or without an *ad interim* injunction restraining such industrial concern from transferring or removing its machinery, plant or equipment.

(4) Where the application is for the relief mentioned in clause (b) of sub-section (1), the Court shall issue a notice calling upon the surety to show cause on a date to be specified in the notice as to why the liability should not be enforced.

(5) Before passing any order under sub-section (3) or issuing a notice under sub-section (4), the Court may, if it thinks fit, examine the officer making the application.

(6) At the same time as it passes an order under sub-section (3), the Court shall issue to the industrial concern in the small-scale sector or to the owner of the security attached, a notice accompanied by copies of the order, the application and the evidence, if any, recorded by the Court calling upon such industrial concern or owner, to show cause on a date to be specified in the notice, as to why the *ad interim* order of attachment should not be made absolute or the injunction confirmed.

(7) If no cause is shown, on or before the date specified in the notice under sub-section (4), the Court shall forthwith order the enforcement of the liability of the surety.

(8) If no cause is shown on or before the date specified in the notice under sub-section (6), the Court shall forthwith make the *ad interim* order absolute and direct the sale of the attached property or confirm the injunction.

(9) If cause is shown, the Court shall proceed to investigate the claim of the Small Industries Bank in accordance with the provisions contained in the Code of Civil Procedure, 1908, in so far as such provisions may be applied thereto.

5 of 1908.

(10) After making an investigation under sub-section (9), the Court may—

(a) confirm the order of attachment and direct the sale of the attached property;

(b) vary the order of attachment so as to release a portion of the property from attachment and direct the sale of the remainder of the attached property;

(c) release the property from attachment;

(d) confirm or dissolve the injunction; or

(e) direct the enforcement of the liability of the surety or reject the claim made in this behalf:

Provided that when making an order under clause (c) or making an order rejecting the claim to enforce the liability of the surety under clause (e), the Court may make such further order as it thinks necessary to protect the interests of the Small Industries Bank and may apportion the cost of the proceedings in such manner as it thinks fit:

Provided further that unless the Small Industries Bank intimates to the Court that it will not appeal against any order releasing any property from attachment or rejecting the claim to enforce the liability of the surety, such order shall not be given effect to, until the expiry of the period fixed under sub-section (12) within which an appeal may be preferred or, if an appeal is preferred, unless the Court empowered to hear appeals from the decisions of the said Court otherwise directs, until the appeal is disposed of.

5 of 1908.

(11) An order of attachment or sale of property under this section shall be carried into effect as far as practicable in the manner provided in the Code of Civil Procedure, 1908, for the attachment or sale of property in execution of a decree as if the Small Industries Bank were the decree holder.

(12) Any party aggrieved by an order under sub-section (7), sub-section (8) or sub-section (10) may, within thirty days from the date of the order, appeal to the Court empowered to hear appeals from the decisions of the Court which passed the order and upon such appeal the appellate Court may, after hearing the parties, pass such orders as it thinks proper.

(13) Where proceedings for liquidation in respect of an industrial concern in the small-scale sector have commenced before an application is made under sub-section (1), nothing in this section shall be construed, as giving to the Small Industries Bank any preference over the other creditors of such industrial concern not conferred on it by any other law.

(14) For the removal of doubts, it is hereby declared that any Court competent to grant an *ad interim* injunction under this section shall also have the power to appoint a receiver and to exercise all the other powers incidental thereto.

42. (1) The Small Industries Bank shall have free access to all such records of any institution which seeks to avail of any credit facilities from the Small Industries Bank and to all such records of any such person who seeks to avail of any credit facilities from such institution, perusal whereof may appear to the Small Industries Bank to be necessary in connection with the providing of finance or other assistance to such institution or the refinancing of any loan or advance made to such person by the borrowing institution.

Small  
Indus-  
tries  
Bank to  
have ac-  
cess to  
records.

(2) The Small Industries Bank may require any institution or person referred to in sub-section (1) to furnish to it copies of any of the records referred to in that sub-section and the institution or the person, as the case may be, shall be bound to comply with such requisition.

Validity  
of loan  
or ad-  
vance not  
to be  
ques-  
tioned.

43. Notwithstanding anything to the contrary contained in any other law for the time being in force, the validity of any loan or advance granted by the Small Industries Bank in pursuance of the provisions of this Act shall not be called in question merely on the ground of non-compliance with the requirements of such other law as aforesaid or of any resolution, contract, memorandum, articles of association or other instrument:

Provided that nothing in this section shall render valid any loan or advance obtained by any company or co-operative society where such company or co-operative society is not empowered by its memorandum to obtain loans or advances.

Indem-  
nity of  
Direc-  
tors.

44. (1) Every Director shall be indemnified by the Small Industries Bank against all losses and expenses incurred by him in, or in relation to, the discharge of his duties, except such as are caused by his own wilful act or default.

(2) A Director shall not be responsible for any other Director or for any officer or other employee of the Small Industries Bank or for any loss or expenses resulting to the Small Industries Bank or from the insufficiency or deficiency of the value of, or title to, any property or security acquired or taken on behalf of the Small Industries Bank or the insolvency or wrongful act of any debtor or any person under obligation to the Small Industries Bank or anything done in good faith in the execution of the duties of his office or in relation thereto.

Protec-  
tion of  
actoin  
taken  
under  
this  
Act.

45. No suit or other legal proceeding shall lie against the Small Industries Bank, Chairman or any Director or any officer or other employee of such Bank or any other person authorised by that Bank to discharge any functions under this Act for any loss or damage caused or likely to be caused by anything which is good faith done or intended to be done in pursuance of this Act or any other law or provision having the force of law.

Nomina-  
tion by  
deposi-  
tors or  
holders of  
bonds or  
other  
securi-  
ties.

46. (1) Notwithstanding anything contained in any other law, where a nomination in respect of any deposits, bonds or other securities kept with or issued by the Small Industries Bank is made in the prescribed manner, the amount due on such deposits, bonds or other securities shall, on the death of the depositor or holder thereof, vest in, and be payable to, the nominee subject to any right, title, interest or claim of any other person, in relation to such deposits, bonds or other securities.

(2) Any payment by the Small Industries Bank in accordance with the provisions of sub-section (1) shall be a full discharge of its liability in respect of such deposits, bonds or securities.

1 of 1956.

47. (1) Where any arrangement entered into by the Small Industries Bank with an industrial concern in the small scale sector provides for the appointment by the Small Industries Bank of one or more directors of such industrial concern, such provision and any appointment of directors made in pursuance thereof shall be valid and effective notwithstanding anything to the contrary contained in the Companies Act, 1956, or in any other law for the time being in force or in the memorandum, articles of association or any other instrument relating to that industrial concern, and any provision regarding share qualification, age-limit, number of directorships, removal from office of directors and such like conditions contained in any such law or instrument aforesaid, shall not apply to any director appointed by the Small Industries Bank in pursuance of the arrangement as aforesaid.

(2) Any director appointed as aforesaid shall—

(a) hold office during the pleasure of the Small Industries Bank and may be removed or substituted by any person by order in writing of the Small Industries Bank;

(b) not incur any obligation or liability by reason only of his being a director or for anything done or omitted to be done in good faith in the discharge of his duties as a director or anything in relation thereto;

(c) not be liable to retirement by rotation and shall not be taken into account for computing the number of directors liable to such retirement.

48. The Bankers' Books Evidence Act, 1881 shall apply in relation to Small Industries Bank as if it were a bank as defined in section 2 of that Act.

49. Nothing contained in the Banking Regulation Act, 1949, except section 34A and section 36AD, thereof, shall apply to the Small Industries Bank.

50. Notwithstanding anything to the contrary contained in the Income-Tax Act, 1961 or in any other enactment for the time being in force relating to income-tax or any other tax on income, profits or gains, the Small Industries Bank shall not be liable to pay income-tax or any other tax in respect of—

(a) any income, profits or gains accruing or arising to the Small Industries Development Assistance Fund or any amount received in that Fund; and

(b) any income, profits or gains derived or any amount received by the Small Industries Bank.

Arrange-  
ment  
with  
Small In-  
dustries  
Bank on  
appoint-  
ment of  
directors  
to pre-  
vail.

Act 18 of  
1881 to  
apply in  
relation to  
Small  
Indus-  
tries  
Bank.

Act 10 of  
1949 not  
to apply  
to Small  
Indus-  
tries  
Bank.

Act 43  
of 1961  
not to  
apply to  
Small In-  
dustries  
Bank.

Liquidation of Small Industries Bank.

51. No provision of law relating to the winding up of companies or corporations shall apply to the Small Industries Bank and that Bank shall not be placed in liquidation save by order of the Central Government and in such manner as it may direct.

Power to make regulations.

52. (1) The Board may, with the previous approval of the Development Bank, by notification, make regulations not inconsistent with the provisions of this Act to provide for all matters for which provision is necessary or expedient for the purpose of giving effect to the provisions of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, such regulations may provide for—

(a) the times and places of the meetings of the Board and the procedure to be followed at such meetings under sub-section (1) of section 11 including quorum necessary for the transaction of business;

(b) the form and manner in which the balance-sheets and the accounts of the Small Industries Development Assistance Fund under sub-section (1) of section 25 and the Small Industries Bank under sub-section (1) of section 28 shall be prepared;

(c) the manner in which nominations may be made in terms of sub-section (1) of section 46;

(d) generally the efficient conduct of the affairs of the Small Industries Bank;

(e) any other matter which is to be, or may be, prescribed.

(3) Every regulation made under this Act shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session for a total period of thirty days which may be comprised in one session or in two or more successive sessions and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the regulation or both Houses agree that the regulation should not be made, the regulation shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that regulation.

Amendment of certain enactments.

53. The enactments specified in Parts I, II, III and IV of the Second Schedule to this Act shall be amended in the manner specified therein and such amendments shall take effect on the date of establishment of the Small Industries Bank.

Power to remove difficulties.

54. If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, in consultation with the Development Bank, by order, do anything, not inconsistent with such provisions, for the purpose of removing the difficulty:

Provided that no such order shall be made after the expiration of three years from the date on which this Act receives the assent of the President.



## THE FIRST SCHEDULE

[See section 36(3)]

*Declaration of fidelity and secrecy*

I, ....., do hereby declare that I will faithfully, truly and to the best of my skill and ability execute and perform the duties required of me as director, member of ..... committee, auditor, officer, other employee (as the case may be) of the Small Industries Development Bank of India and which properly relate to the office or position held by me in or in relation to the said bank.

I further declare that I will not communicate or allow to be communicated to any person not legally entitled thereto any information relating to the affairs of the Small Industries Development Bank of India or to the affairs of any person having any dealing with the said Bank, nor will I allow any such person to inspect or have access to any books or documents belonging to or in the possession of the said Bank relating to the business of the said Bank or the business of any person having any dealing with the said Bank.

Signed before me.

(Signature)

## THE SECOND SCHEDULE

(See section 53)

## AMENDMENT OF CERTAIN ENACTMENTS

## PART I

## AMENDMENTS TO THE RESERVE BANK OF INDIA ACT, 1934

(2 OF 1934)

1. In section 2, after clause (e), insert the following clause, namely:—

“(e) “Small Industries Bank” means the Small Industries Development Bank of India established under section 3 of the Small Industries Development Bank of India Act, 1989;”.

2. In section 17,—

(a) in clause (4G), after the words “the Reconstruction Bank”, insert the words “or the Small Industries Bank”;

(b) in clause (4H), after the words “the Development Bank”, insert the words “or the Small Industries Bank”;

(c) in clause (4I), for the words “or the Reconstruction Bank”, substitute the words “the Reconstruction Bank or the Small Industries Bank”;

(d) in clause (12B), for the words “the Reconstruction Bank”, substitute the words “the Reconstruction Bank or the Small Industries Bank”.

3. In section 42, in sub-clause (ii) of clause (c) of the *Explanation* to sub-section (1), after the words “or from the National Bank”, insert the words “or from the Small Industries Bank”.

4. In section 46C, in sub-section (2), in clauses (c) and (d), after the words "or the Reconstruction Bank" wherever they occur, insert the words "or the Small Industries Bank".

## PART II

### AMENDMENT TO THE INDUSTRIAL DISPUTES ACT, 1947

(14 OF 1947)

In section 2, in clause (bb), after the words "the Industrial Development Bank of India," insert the words "the Small Industries Development Bank of India established under section 3 of the Small Industries Development Bank of India Act, 1989,".

## PART III

### AMENDMENT TO THE BANKING REGULATION ACT, 1949

(10 OF 1949)

1. In section 5, after clause (n), insert the following clause, namely:—

“(ni) “Small Industries Bank” means the Small Industries Development Bank of India established under section 3 of the Small Industries Development Bank of India Act, 1989;”.

2. In section 18, in sub-section (1), in the *Explanation*, in clause (a), in sub-clause (ii), after the words “or from the National Bank”, insert the words “, or from the Small Industries Bank,”.

3. In section 34A, in sub-section (3), after the words “the National Bank”, insert the words “, the Small Industries Bank,”.

4. In section 36AD, in sub-section (3), after the words “the National Bank”, insert the words “, the Small Industries Bank,”.

5. In section 56, in sub-clause (ii) of clause (a) of the *Explanation* under clause (j), after the words “the National Bank”, insert the words “, the Small Industries Bank,”.

## PART IV

### AMENDMENT TO THE PAYMENT OF BONUS ACT, 1965

(21 OF 1965)

In section 32, in clause (IX), after sub-clause (f), the following sub-clause shall be inserted, namely:—

“(fa) the Small Industries Development Bank of India established under section 3 of the Small Industries Development Bank of India Act, 1989.”.

## STATEMENT OF OBJECTS AND REASONS

There has been a long standing demand of the tiny and small industries that there should be an apex bank for them. The intention of the Government to establish the Small Industries Development Bank of India to strengthen and broad-base the existing institutional arrangements to meet the requirements of industries in the small-scale sector was made clear in the budget speech for the year 1988-89. Hence this Bill.

2. In this Bill, it is proposed to establish a statutory corporation known as 'the Small Industries Development Bank of India', wholly owned subsidiary of the Industrial Development Bank of India, to function as principal financial institution for the promotion, financing and development of industry in the small-scale sector and to co-ordinate the functions of the institutions engaged in the promotion, financing or developing industry in that sector. It is also proposed that the Bank would give special attention to the export oriented industrial units in that sector.

3. The resources of this Bank will mainly comprise of contributions from the Industrial Development Bank of India in the form of loans and shares and may include market borrowings and short-term and long-term funds from the Reserve Bank of India and loans from the Government of India. It is also proposed to transfer to this Bank the business assets and liabilities, rights, interests, privileges and obligations of the Industrial Development Bank of India relating to the Small Industries Development Fund and the National Equity Fund.

NEW DELHI;

S. B. CHAVAN

The 2nd May, 1989.

*Notes on Clauses*

*Clause 2* seeks to define certain expressions used in the Bill. The expression "industrial concern in the small-scale sector" has been defined as an industrial concern within the meaning of section 2(c) of the Industrial Development Bank of India Act, 1964 and which is regarded as a small-scale undertaking for the purposes of the Industries (Development and Regulation) Act, 1951. The definition is comprehensive enough to cover all forms of small-scale industrial units or enterprises including those in the tiny and decentralised sector.

*Clause 3* provides for the establishment of the Small Industries Development Bank of India and establishment of its offices, branches and agencies.

*Clause 4* provides for the authorised capital of the Small Industries Development Bank. Its authorised capital will be Rs. 250 crores which may be increased up to Rs. 1000 crores by the Development Bank. The issued capital will initially be subscribed by the Development Bank.

*Clause 5* provides for the management of the Small Industries Bank and for the vesting of the affairs and business of that Bank in a Board of Directors.

*Clause 6* provides for the constitution of the Board of Directors headed by the Chairman. The Chairman of the Development Bank, if he is a whole-time Chairman and if he is not a whole-time Chairman, the Managing Director of that Bank, shall be the *ex officio* Chairman of the proposed Bank. In addition there will be thirteen Directors, two representing the Central Government, one representing the Reserve Bank and ten others from various institutions and fields. The Managing Director of the Small Industries Bank shall be the *ex officio* Director. It also provides for the term of office of, and the fee and allowances payable to, the Directors.

*Clause 7* provides for the appointment of the Managing Director of the Small Industries Bank and his powers and duties. It also provides for the salary and allowances payable to him and other conditions of service including the term of office.

*Clause 8* provides for the disqualifications to hold the office of, or continue as, Director.

*Clause 9* provides for the vacation of the office and resignation by the Directors.

*Clause 10* empowers the Development Bank to appoint a person to act as the Managing Director in case of casual vacancy in the office of the Managing Director.

*Clause 11* provides for the meetings of the Board and the manner in which such meetings are to be conducted.

Clause 12 empowers the Board to constitute various committees and provides for the fee and allowances payable to the members of such committees.

Clause 13 provides for the business which the Small Industries Bank shall transact. The business, which is at present being transacted by the Development Bank relating to industries in the small-scale sector, shall be transacted by the proposed bank *inter alia* granting loans and advances to any State Financial Corporation, etc., bank, etc. by way of refinancing of any loans or advances granted to industrial concern in the small scale sector.

Accepting discounting or re-discounting of bills of exchange, etc. made by industrial concern in the small scale sector.

Subscribing to purchasing stocks, shares, bonds or debentures of any State Financial Corporation, etc.

Granting loans and advances to industrial concern in the small scale sector.

Granting loans and advances to any person exporting, etc.

Guaranteeing the obligations of the schedule banks, etc. in connection with the issue of stocks, etc.

Leasing any assets to any industrial concern in the small scale sector.

Planning, promoting and developing industries in small scale sector.

Clause 14 provides for the loans to the Small Industries Bank by the Central Government.

Clause 15 empowers the Small Industries Bank to issue and sell bonds, debentures, etc., with or without guarantee of the Central Government and to borrow money from the Reserve Bank or from the Development Bank or such other authority or organisation, etc., as may be approved by the Development Bank. It further provides that the Central Government may, on a request being made by the Bank, guarantee the bonds and debentures issued by it.

Clause 16 empowers the Small Industries Bank to invest its funds in the securities of the Government or in deposits with the scheduled banks.

Clause 17 empowers the Small Industries Bank to transfer its rights and interests in relation to any loan or advances.

Clause 18 empowers the Small Industries Bank to acquire the rights and interests of any public financial institution.

Clause 19 empowers the Small Industries Bank to borrow amounts in foreign currency with the previous consent of the Central Government and the Development Bank. It further provides for giving guarantee by the Central Government for such loans, if necessary.

Clause 20 enables the Small Industries Bank to receive gifts, grants, etc., from Government or any other sources.

Clause 21 deals with the establishment of Small Industries Development Assistance Fund.

Clause 22 specifies the nature of the amount credited to the Small Industries Development Assistance Fund.

*Clause 23* provides the manner of utilisation of the Small Industries Development Assistance Fund.

*Clause 24* specifies the amounts to be debited to the Small Industries Development Assistance Fund.

*Clause 25* deals with the preparation of the balance-sheet and accounts of the Small Industries Development Assistance Fund and the audit thereof. It also provides for laying before each House of Parliament the copy of the balance-sheet, accounts and audit report, etc.

*Clause 26* deals with the manner of closing and winding up of the Small Industries Development Assistance Fund.

*Clause 27* provides that the receipts of the Small Industries Bank other than those credited to the Small Industries Development Assistance Fund shall be credited to the Small Industries General Fund.

*Clause 28* deals with the preparation of balance-sheet and accounts of the Small Industries Bank.

*Clause 29* provides for establishment of a reserve fund to which certain amounts of annual profit to the Bank shall be credited.

*Clause 30* deals with the audit of the accounts of the Small Industries Bank. It also provides for laying of the auditors' report and the report of its working before each House of Parliament.

*Clause 32* provides for transfer of assets, liabilities, rights, interests, privileges, obligations of the Development Bank relating to the Small Industries Development Fund and the National Equity Fund to the Small Industries Bank and vesting of such business, etc., in the Small Industries Bank.

*Clause 33* deals with the transfer of staff of the Development Bank to the proposed Bank with an option to come back to the Development Bank.

*Clause 34* deals with the delegation of powers to any Director or Committee or any officer or other employee of the Small Industries Bank.

*Clause 35* provides for furnishing of returns as may be required by the Central Government or the Reserve Bank or the Development Bank.

*Clause 36* provides for the obligations of Directors, members of the committee, officers and other employees of the Bank as to fidelity and secrecy.

*Clause 37* provides that the acts or proceedings of the Board, etc., shall not be questioned on the ground of any vacancy or defect in the constitution of the Board or on the ground that a person is disqualified to be a Director or any defect in his appointment as such Director.

*Clause 38* empowers the Small Industries Bank to take over the management or possession of any industrial concern in the small-scale sector which makes any default in repayment of loan, advances, etc.

*Clause 39* empowers the Small Industries Bank to seek assistance of the Chief Metropolitan Magistrate or the District Magistrate for getting the order under clause 38 enforced.

*Clause 40* empowers the Small Industries Bank to call for repayment before the agreed period under certain circumstances.

*Clause 41* provides for the special provisions for enforcement of claims by the Small Industries Bank in High Courts.

*Clause 42* enables the Small Industries Bank to have free access to the records of any institution which seeks to avail of any credit facility from it.

*Clause 43* ensures that the validity of any loan or advance granted by the Small Industries Bank shall not be called in question.

*Clause 44* provides that every Director shall be indemnified by the Small Industries Bank against all losses, etc., incurred by him except such as are caused by his own wilful act or default.

*Clause 45* protects the Directors, officers, etc., for any action taken in good faith.

*Clause 46* seeks to provide for nomination by depositors, holders of bonds or securities kept with the small-scale industries.

*Clause 47* provides that the arrangement with the Small Industries Bank for appointment of directors of any industrial concern shall prevail and such appointment shall be valid and effective.

*Clauses 48 and 49* seek to regulate the application of the Bankers' Books Evidence Act, 1961 and, to a limited extent, the Banking Regulation Act, 1949 to the Small Industries Bank.

*Clause 50* seeks to exempt the Small Industries Bank from income-tax and other direct taxes at income, profit or gains on the lines of similar exemption given to the Development Bank.

*Clause 51* provides that the Small Industries Bank shall not be placed in liquidation save by an order of the Central Government.

*Clause 52* empowers the Board, with the previous approval of the Development Bank, to make regulations for the purposes of giving effect to the provisions of this Act. It further provides that every regulation made shall be laid before each House of Parliament.

*Clause 53* provides for the amendment of the Reserve Bank of India Act, 1934, the Industrial Disputes Act, 1947, the Banking Regulation Act, 1949 and the Payment of Bonus Act, 1965.

*Clause 54* empowers the Central Government to remove any difficulty in giving effect to the provisions of this Bill.

## FINANCIAL MEMORANDUM

Clause 14 of the Bill provides that the Central Government may, after due appropriation made by Parliament by law in this behalf, advance to the Small Industries Bank an interest-free loan of such amount as may be determined by the Central Government and a further loan on such terms and conditions as may be agreed upon. It is not possible at this stage to visualise the amounts that the Central Government may make available to the Small Industries Development Bank of India under the aforesaid clause.

2. Sub-clause (2) of clause 15 provides that the Central Government may, in certain circumstances, guarantee the repayment of principal and the payment of interest in respect of bonds and debentures issued by the Small Industries Bank. Sub-clause (2) of clause 19 provides for a similar guarantee, if necessary, in respect of loan raised by the Small Industries Bank in foreign currency. The extent of this contingent liability depends upon the size of the market borrowings. The exact amount cannot be visualised at this stage under the aforesaid clause.

3. Clause 19(4) (b) (ii) provides that, in certain circumstances, the loss in connection with the borrowing of the foreign currency in sub-clause (1) of that clause shall be reimbursed by the Central Government. This guarantee involves liability of a contingent nature and the extent of such liability for any establishment known only after the Bank starts functioning.

4. No other provision of the Bill involves any other expenditure, recurring or non-recurring, out of the Consolidated Fund of India.



## MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 26 provides that the Small Industries Development Assistance Fund which will be held and managed by the Small Industries Bank may be wound up, if necessary, in such manner as the Central Government may, by order, direct. Clause 51 makes similar provision as regards the Small Industries Bank.

2. Clause 52 empowers the Board of Directors of the Small Industries Bank to make regulation with the previous approval of the Development Bank for matters relating to the times and places of the meetings of the Board and the procedure to be followed in such meetings, the form and manner in which the balance-sheet of the Small Industries Development Assistance Fund and the Small Industries Bank shall be prepared, and the manner in which nominations may be made in terms of clause 46.

3. As the matters with respect to which regulations or orders under the aforesaid provisions are sought to be made are matters of procedure or detail or matters in respect of which it is not practicable to make express provisions in the legislation itself, the delegation of legislative power is of a normal character.

## BILL NO. 46 OF 1989

*A Bill to provide for the authorisation of appropriation of moneys out of the Consolidated Fund of India to meet the amounts spent on certain services during the financial year ended on the 31st day of March, 1987 in excess of the amounts granted for those services and for that year.*

BE it enacted by Parliament in the Fortieth Year of the Republic of India as follows:—

Short  
title.

1. This Act may be called the Appropriation (No. 3) Act, 1989.

Issue of  
Rs. 242,  
23,26,880  
out of the  
Consoli-  
dated  
Fund of  
India to  
meet  
certain  
excess  
expendi-  
ture for  
the year  
ended on  
the 31st  
March,  
1987.

2. From and out of the Consolidated Fund of India, the sums specified in column 3 of the Schedule, amounting in the aggregate to the sum of two hundred and forty-two crores, twenty-three lakhs, twenty-six thousand, eight hundred and eighty-six rupees shall be deemed to have been authorised to be paid and applied to meet the amount spent for defraying the charges in respect of the services specified in column 2 of the Schedule during the financial year ended on the 31st day of March, 1987, in excess of the amounts granted for those services and for that year.

Appro-  
priation.

3. The sums deemed to have been authorised to be paid and applied from and out of the Consolidated Fund of India under this Act shall be deemed to have been appropriated for the services and purposes expressed in the Schedule in relation to the financial year ended on the 31st day of March, 1987.

**THE SCHEDULE**  
(See section 2 and 3)

1	2	3		
		Excess		
No. of Vote	Services and purposes	Voted portion	Charged portion	Total
		Rs.	Rs.	Rs.
11	Foreign Trade and Export Production . . . Capital	19,43,16,651	..	19,43,16,651
18	Defence Pensions . . . Revenue	1,35,94,989	..	1,35,94,989
19	Defence Services- Army . . Revenue	100,35,85,223	2,16,954	100,38,02,177
20	Defence Services- Navy . . Revenue	37,74,07,521	..	37,74,07,521
21	Defence Services- Air Force Revenue	44,69,04,894	..	44,69,04,894
22	Capital Outlay on Defence Services . . . Capital	14,66,51,282	..	14,66,51,282
24	Department of Power . . . Capital	..	200	200
35	Audit . . . . . Revenue	..	2,21,582	2,21,582
43	Department of Civil Supplies Capital	..	1,250	1,250
54	Andaman and Nicobar Islands Revenue	10,33,13,925	..	10,33,13,925
56	Lakshadweep . . . . . Revenue	6,26,116	..	6,26,116
56A	Chandigarh . . . . . Revenue	..	51,500	51,500
	Capital	2,80,186	..	2,80,186
74	Department of Tourism . . Capital	2,15,984	..	2,15,984
81	Survey of India . . . . . Revenue	..	510	510
83	Department of Scientific and Industrial Research . . Capital	2,10,00,000	..	2,10,00,000
93	Public Works . . . . . Revenue	10,92,69,099	1,08,503	10,93,77,602
97	Ministry of Water Resources Revenue	45,60,517	..	45,60,517
	<b>TOTAL . . .</b>	<b>242,17,26,387</b>	<b>6,00,499</b>	<b>242,23,26,886</b>

## STATEMENT OF OBJECTS AND REASONS

This Bill is introduced in pursuance of article 114(1) of the Constitution of India read with article 115 thereof, to provide for the appropriation out of the Consolidated Fund of India of the moneys required to meet the expenditure incurred in excess of the appropriations charged on the Fund and the grants made by the Lok Sabha for expenditure of the Central Government, excluding Railways, for the financial year ended on the 31st day of March, 1987.

B. K. GADHVI.

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PRESIDENT'S RECOMMENDATION UNDER ARTICLE 117 OF THE  
CONSTITUTION OF INDIA

[Copy of letter No. F. 4(56)-B(SD)/89, dated the 28th April, 1989 from Shri B. K. Gadhi, Minister of State in the Department of Expenditure in the Ministry of Finance to the Secretary-General, Lok Sabha.]

The President, having been informed of the subject matter of the proposed Bill to provide for the authorisation of appropriation of moneys out of the Consolidated Fund of India to meet the amounts spent on certain services during the financial year ended on the 31st day of March, 1987 in excess of the amounts granted for the said services and for that year recommended under clauses (1) and (3) of article 117 of the Constitution, read with clause (2) of article 115 thereof, the introduction of the Appropriation (No. 3) Bill, 1989, in Lok Sabha and also recommends to Lok Sabha the consideration of the Bill.

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SUBHASH C. KASHYAP,  
*Secretary-General.*